

CONFIDENTIAL *CA 325*  
FM BONN 171545Z FEB 81  
TO PRIORITY MODUK  
TELEGRAM NUMBER 171530Z OF 17 FEBRUARY  
INFO PRIORITY FCO

*Chile*

*A possibly helpful  
development.*

SIC ACA ZBG

**SUBMARINES FOR CHILE**

FOLLOWING FOR JONES, D SALES 2, FROM COUNSELLOR DEFENCE SUPPLY

1. YOUR LETTER OF 4 FEBRUARY ARRIVED SHORTLY AFTER WE LEARNED THAT THE SPD EXECUTIVE (OF WHICH CHANCELLOR SCHMIDT IS A MEMBER) DECIDED ON 11 FEBRUARY TO REAFFIRM THEIR EARLIER STATED OPPOSITION TO THE EXPORT TO CHILE OF THE 2 SUBMARINES. IT APPEARS TO REMAIN LITTLE MORE THAN A FORMALITY FOR THE FEDERAL GOVERNMENT TO DECIDE NOT TO PROCEED WITH THE DEAL, THOUGH NO DOUBT THEY WILL ALSO WISH TO FIND SOME WAY OF MAKING THEIR PEACE WITH THE CHILEAN GOVERNMENT BEFORE ANNOUNCING THE NEWS.
2. THIS BACKGROUND I TODAY CALLED ON HERR OTTE (HEAD OF NAVAL EQUIPMENT DIVISION IN THE FEDERAL MINISTRY OF DEFENCE) AS YOU REQUESTED AND MENTIONED VICKERS' INTEREST IN BUILDING THE SUBMARINES FOR THE CHILEAN NAVY UNDER LICENCE. HE WAS VERY ANNOYED AT THE TURN OF EVENTS IN BONN AS HE FELT THAT CANCELLATION OF THE CHILEAN CONTRACT WOULD REFLECT ADVERSELY ON GERMAN SHIP BUILDERS' CREDIBILITY AS RELIABLE SUPPLIERS. HE WAS HOWEVER ENTHUSIASTIC ABOUT VICKERS TAKING OVER THE ORDER THOUGH HE HOPED THAT IN RETURN FOR THIS WINDFALL THEY MIGHT MAKE USE OF, AND AS FAR AS POSSIBLE REIMBURSE HDW FOR, THE OTHERWISE NUGATORY PREPARATORY WORK THEY HAVE DONE. HE HAS AGREED TO COMMEND THE IDEA OF VICKERS BUILDING THE SHIPS UNDER LICENCE TO HDW AND IKL (WHO ARE THE DESIGNERS) AND WILL REPORT MY CONVERSATION WITH HIM TO HIS OWN POLITICAL AUTHORITIES ALSO. HE SAID THAT UNLESS HE TELEPHONED ME WITH NEWS TO THE CONTRARY WE COULD ASSUME THAT ALL CONCERNED ON THE GERMAN SIDE WOULD BE KEEN TO EXPLORE THIS IDEA FURTHER. I SUGGEST YOU SHOULD KEEP THE FCO FULLY INFORMED OF WHAT IS PROPOSED.
3. OTTE SUGGESTED BRITISH SHIP BUILDERS/VICKERS SHOULD APPROACH HDW AND IKL AT THE HIGHEST LEVEL IMMEDIATELY (IE THIS WEEK) AND THAT GOVERNMENTS SHOULD LEAVE IT TO THE 3 FIRMS TO NEGOTIATE SOME ARRANGEMENT BETWEEN THEMSELVES.

WRIGHT

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THIS TELEGRAM  
WAS NOT  
ADVANCED